

## Message Text

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PAGE 01 STOCKH 03771 251018Z

15

ACTION EUR-25

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TO SECSTATE WASHDC 894

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TAGS: ECON, ELAB, EFIN, SW

SUBJECT: TRADE UNION ECONOMIC FORECAST SOUNDS WARNING TO EMPLOYERS  
AND GOVERNMENT

REF: STOCKHOLM 3703

1. SUMMARY. FALL ECONOMIC FORECAST OF SWEDISH TRADE UNION  
CONFEDERATION (LO) PROJECTS GROWTH IN ECONOMIC ACTIVITY AND  
PROFITS WHICH LO CLAIMS WOULD JUSTIFY 1974 WAGE INCREASES OF 15  
PERCENT, PLUS ANTICIPATED INFLATION-DICTATED RAISES OF 7 PER-  
CENT. FORECAST PUBLISHED ONE MONTH BEFORE OPENING OF NEGOTI-  
ATIONS FOR NATIONAL AGREEMENT BETWEEN LO AND EMPLOYERS CONFED-  
ERATION (SAF) AND WILL BE USED AS BASE FOR LO DEMANDS. GOVT  
ALSO PUT ON NOTICE BY LO THAT RECENTLY ANNOUNCED MEASURES TO  
STIMULATE DOMESTIC ECONOMY ARE CONSIDERED ONLY AS OPENERS IN  
OVERALL CAMPAIGN TO INCREASE BOTH EMPLOYMENT AND TAKE-HOME BENE-  
FITS. END OF SUMMARY.

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PAGE 02 STOCKH 03771 251018Z

2. FALL ECONOMIC FORECAST BY SWEDISH LO RESEARCH BUREAU, RELEASED AT PRESS CONFERENCE OCTOBER 23, SEES ROOM FOR WAGE INCREASES OF 15 PERCENT DURING 1974, IN ADDITION TO ANTICIPATED 7 PERCENT TO COVER INFLATION. REPORT NOTES HIGH PROFITS NOW BEING DECLARED BY MANY COMPANIES AND CITES EXPECTED 1973 SURPLUS IN COMMERCIAL TRANSACTIONS OF SKR 6 BILLION AND BALANCE OF PAYMENT SURPLUS OF SKR 3.5 BILLION. SLIGHTLY SMALLER BUT STILL SUBSTANTIAL SURPLUSES EXPECTED IN 1974. ACCORDING TO LO RESEARCH CHIEF AND UNION SPOKESMAN, THESE FIGURES SHOW ROOM FOR THIS SIZE WAGE INCREASE.

3. FORECAST ALSO USED AS REMINDER THAT LO FAR FROM SATISFIED WITH GOVT HANDLING OF ECONOMY. LO STATISTICS WERE APPARENTLY BASIS FOR \$600 MILLION PACKAGE TO STIMULATE DOMESTIC ECONOMY UNVEILED OCTOBER 16 BY FINANCE MINISTER STRANG (REFTEL). HOWEVER, LO RESEARCH CHIEF REFERRED TO STRANG PACKAGE AS BUT "ODE OPENING PLAY" IN CAMPAIGN TO INCREASE EMPLOYMENT AND BENEFITS THROUGH STIMULATION OF DOMESTIC ECONOMY. HE EXPRESSED THE OPINION THAT GOVT WILL BE BACK WITH MORE. SAID PRIVATE CONSUMPTION WHICH WAS FORECAST TO INCREASE BY A TOTAL OF 9 PERCENT DURING CALENDAR YEARS 1973 AND 1974 WOULD SHOW ACTUAL INCREASE OF ONLY 2-2.5 PERCENT IN 1973, LEAVING 6.5-7 PERCENT FOR 1974 IF FORECAST IS TO BE REALIZED. SHZANG PACKAGE CALCULATED AT RESULTING IN INCREASE OF ONLY 4.5 PERCENT, THEREBY REQUIRING ADDED STIMULATIVE MEASURES TO REACH 9 PERCENT TWO-YEAR GOAL.

4. LO EXECUTIVE BOARD MET WITH PALME SAME AFTERNOON AS ECONOMIC FORECAST RELEASED. MEETING HAD BEEN CALLED TO DISCUSS UNEMPLOYMENT PROBLEM. STATISTICS IN ECONOMIC FORECAST, PARTICULARLY HIGH PROFITS AS CONTRASTED WITH UNUSED CAPACITY, CITED IN LO CRITICISM OF GOVT SLOWNESS DURING PAST YEAR TO ACT IN FACE OF CONTINUED UNEMPLOYMENT AND IN DEFENSE OF LO DEMANDS FOR ADDED STIMULATIVE MEASURES.

5. COMMENT. STATEMENT BY LO RESEARCH CHIEF CLAIMING ROOM FOR 15 PERCENT WAGE INCREASE FIRST FIRM INDICATION OF PROBABLE SCOPE OF LO NEGOTIATING DEMANDS IN UPCOMING NEGOTIATIONS. PROBABLY THAT PART OF THIS 15 PERCENT WILL BE IN THE FORM OF NON-WAGE BENEFITS. NONETHELESS, GAP IS LARGE BETWEEN 15 PERCENT AND UNCLASSIFIED

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PAGE 03 STOCKH 03771 251018Z

RECENT STATEMENTS BY SAF THAT ASSUMPTION OF EMPLOYER RESPONSIBILITY DURING 1974 FOR PENSION CONTRIBUTIONS FORMERLY PAID BY EMPLOYEES LEAVES NO ROOM FOR GENERAL INCREASES. RELEASE OF ECONOMIC FORECAST JUST HOURS BEFORE LO EXECUTIVE MET WITH PALME ALSO HAD EFFECT OF UNDERSCORING LO IMPATIENCE WITH GOVT HANDLING OF ECONOMY. FURTHERMORE, TIMING REINFORCED THE IMPRESSION GAINED AFTER THE ELECTION THAT LO NOT RPT NOT RELUCTANT TO PUBLICLY INFORM, RATHER THAN PRIVATELY CONSULT WITH, GOVERNMENTAL SOCIAL

DEMOCRATIC PARTNER ON KEY ISSUES.  
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